

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-029
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
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Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#08-029

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Beverly Ross, President
Board of Directors
30th DAA, Tehama District Fair
P.O. Box 70
Red Bluff, California 96080

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 30th District Agricultural Association (DAA), Tehama District Fair, Red Bluff, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 30th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 30th DAA, Tehama District Fair, as of December 31, 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In 2006, detailed property records were not updated by the Fair. We identified a discrepancy of approximately \$82,000 between capital improvements reported by the California Construction Authority (CCA), and the Fair's property records. The Fair further indicated additional projects with an undetermined amount dating prior to calendar year 2000 may not have been capitalized as well. Due to the total undetermined amount, we were unable to

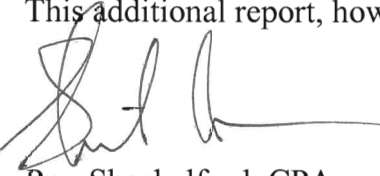


satisfy ourselves about the amount at which Account #194, Leasehold Improvements – Net, is stated (\$544,467) in the accompanying statements of financial condition at December 31, 2006.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary to Account #194, Leasehold Improvements, the financial statements referred to above present fairly, in all material respects, the financial position of the 30th District Agricultural Association, Tehama District Fair, as of December 31, 2006, and the results of its operations and changes in net resources for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The 30th DAA, Tehama District Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-029, on the 30th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 30th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.


for Ron Shackelford, CPA
Chief, Audit Office

December 19, 2008

**30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Cash in Bank	111 - 116	\$ 331,487	\$ 372,408
Accounts Receivable, Net	131	45,536	20,420
Other Assets	143	1,439	1,083
Construction in Progress	190	129,425	571,440
Land	191	5,000	5,000
Equipment, Net	193	15,711	16,099
Leasehold Improvements, Net	194	2,131,622	544,467
TOTAL ASSETS		<u>2,660,220</u>	<u>1,530,917</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable	212	7,487	16,760
Current Portion of Long Term Debt	212.5	9,907	-
Other Payables	221 - 226	112	30
Deferred Income	228	145,771	52,242
Guaranteed Deposit	241	970	3,771
Compensated Absences Liability	245	74,506	58,934
Long Term Debt	250	307,641	-
Total Liabilities		<u>546,394</u>	<u>131,737</u>
Net Resources			
Net Resources - Operations	291	279,042	262,174
Net Resources - Capital Assets, less related debt	291.1	1,834,784	1,137,006
Total Net Resources Available		<u>2,113,826</u>	<u>1,399,180</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 2,660,220</u>	<u>\$ 1,530,917</u>

**30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006**

	Account Number	2007	2006
REVENUE			
State Allocation	312	\$ 150,000	\$ 150,000
Capital Project Reimbursements	319	61,480	622,030
Other Revenue	340	7,562	36,260
Admissions	410	80,092	102,721
Commercial Space	415	3,000	2,775
Carnival	421	52,432	52,181
Concessions	422	56,484	58,895
Exhibits	430	11,319	5,977
Horse Show	440	4,406	6,265
Attendance Operations	460	6,373	11,507
Miscellaneous Fair	470	56,473	57,663
Non-Fair Revenue	480	347,179	332,817
Prior Year Adjustment	490	(169,687)	602
Other Operating Revenue	495	57,176	22,270
Total Revenue		724,288	1,461,962
EXPENSES			
Administration	500	323,641	287,213
Maintenance and Operations	520	306,553	286,441
Publicity	540	33,565	28,583
Attendance	560	18,134	17,856
Miscellaneous Fair	570	20,276	23,852
Premiums	580	24,217	22,183
Exhibits	630	33,287	32,158
Horse Show	640	6,158	6,788
Attractions - Fairtime	660	89,198	93,266
Equipment	723	1,500	-
Prior Year Adjustments	800	(964,592)	3,809
Cash Over/Short from Ticket Sales	850	110	(133)
Depreciation Expense	900	117,595	45,997
Other Capital Expenditures, Reimbursable	945	-	17,491
Total Expenses		9,642	865,505
RESOURCES			
Net Change - Income / (Loss)		714,646	596,457
Resources Available, January 1		1,399,180	802,723
Resources Available, December 31		\$ 2,113,826	\$ 1,399,180

**30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 714,646	\$ 596,457
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(25,115)	(4,547)
(Increase) Decrease in Other Assets	(356)	8,469
Increase (Decrease) in Accounts Payable	(9,273)	13,892
Increase (Decrease) in Long Term Debt	9,907	-
Increase (Decrease) in Payroll Taxes Payable	82	(1,331)
Increase (Decrease) in Deferred Income	93,530	(38,635)
Increase (Decrease) in Guaranteed Deposits	(2,801)	1,680
Increase (Decrease) in Compensated Absence Liability	15,571	8,038
Total Adjustments	<u>81,544</u>	<u>(12,434)</u>
Net Cash Provided (Used) by Operating Activities	<u>796,190</u>	<u>584,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction-in-Progress	442,015	(564,817)
(Increase) Decrease in Buildings & Improvements, Net	(1,587,156)	(36,540)
(Increase) Decrease in Equipment, Ne	388	(7,332)
Net Cash Provided (Used) by Investing Activities	<u>(1,144,753)</u>	<u>(608,690)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Debt	307,641	-
Net Cash Provided (Used) by Financing Activities	<u>307,641</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(40,921)	(24,666)
Cash at Beginning of Year	372,408	397,075
CASH AT END OF YEAR	<u><u>\$ 331,487</u></u>	<u><u>\$ 372,408</u></u>

**30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 30th District Agricultural Association (DAA) was formed on October 3, 1921, for the purpose of sponsoring, managing, and conducting the Tehama District Fair each year in Red Bluff, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories, if any, consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the DAA's sales of merchandise. The DAA collects that sales tax from

customers and remits the entire amount to the state Board of Equalization. The DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 100	\$ 100
Cash in Bank - Operating	(7,404)	70,243
Cash in Bank – Time Deposits	<u>338,791</u>	<u>302,066</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 331,487</u></u>	 <u><u>\$ 372,408</u></u>

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 13,536	\$ 3,467
Accounts Receivable - CCA	32,000	16,953
Allowance for Doubtful Accounts	<u>0</u>	<u>0</u>
 Accounts Receivable - Net	 <u><u>\$ 45,536</u></u>	 <u><u>\$ 20,420</u></u>

NOTE 4 PROPERTY AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Leasehold Improvements	\$4,560,211	\$2,153,195
Less: Accumulated Depreciation	<u>(2,428,589)</u>	<u>(1,608,728)</u>
Leasehold Improvements - Net	<u><u>\$2,131,622</u></u>	<u><u>\$ 544,467</u></u>

Equipment	\$ 123,775	\$ 118,213
Less: Accumulated Depreciation	<u>(108,064)</u>	<u>(102,114)</u>
Equipment - Net	<u>\$ 15,711</u>	<u>\$ 16,099</u>

NOTE 5 **LONG-TERM DEBT**

The DAA has entered into a long-term loan agreement with California Construction Authority (CCA) to finance the Photovoltaic power-generating project on the fairgrounds. The asset was placed into service September 2007 however loan information was not available to the Fair at year-end 2007 to record the long term debt. Because the loan information was available during the audit, the audit office decided to record the debt in the 2007 financial statements. The terms of the agreement are as follows:

CCA Photovoltaic Loan:

Loan Amount	\$ 317,549
First Payment Date	July 1, 2008
Payment Amount	\$ 1,757
Duration of Loan	192 Months
Total Outstanding at 12/31/07	\$ 317,549
Current Portion at 12/31/07	\$ 9,907
Long-Term Portion at 12/31/07	\$ 307,641

NOTE 6 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two

years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

DEFERRED INCOME

Deferred income totaling \$145,771 at December 31, 2007 consist of unspent millennium flex funds totaling \$62,822, unspent flex capital totaling \$40,000, unearned multi-year sponsorship revenue totaling \$37,500, and 2008 facility rental revenue received in 2007 totaling \$5,449.

**30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 30th DAA Board of Directors
1	Chief Executive Officer, 30th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

MANAGEMENT REPORT #08-029

YEAR ENDED DECEMBER 31, 2007

30TH DISTRICT AGRICULTURAL ASSOCIATION
TEHAMA DISTRICT FAIR
RED BLUFF, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Harvey Hunter, CPA

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#08-029

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Beverly Ross, President
Board of Directors
30th DAA, Tehama District Fair
P.O. Box 70
Red Bluff, California 96080

In planning and performing our audit of the financial statements of the 30th District Agricultural Association (DAA), Tehama District Fair, Red Bluff, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Tehama District Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 30th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 30th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,



assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 30th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 30th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 30th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 30th DAA and compliance with state laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets, sponsorship revenue, and board member tickets/passes. We have provided eight recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 30th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

An examination of the fixed asset records and supporting documentation revealed the following accounting errors and omissions:

- a. The property ledger is not complete and, as a result, the balance in the general ledger for Account #194, Leasehold Improvements, is inaccurate at year-end 2007. The Fair indicated during the prior year audit that material unrecorded capital project costs dating back to the 1990's may not have been capitalized and fully accounted for within the accounting records as required. Fairs are required to capitalize all capital project improvements that cost \$5,000 or greater and that have a useful life of at least one year. Based on efforts by the Fair during 2008, it was determined that unrecorded capital project costs totaled \$1,705,386. This was a prior year finding.
- b. The Fair has not completed a physical inventory of State property within the last three years as required. As a result, the property records may not accurately reflect actual fixed assets maintained by the Fair. According to the Accounting Procedures Manual (APM) and State Administrative Manual (SAM), Section 8652, fairs are required to perform an inventory once every three years. This was a prior year finding.
- c. The Fair does not have a completed non-monetary property list as required by the APM. Although a non-monetary property list exists for administrative building items, there has not been a list developed for maintenance items. Non-monetary property is defined as minor types of equipment having a value less than \$5,000 such as computers, printers, and tools used by the maintenance department. The list of non-monetary items should contain information similar to the Fair records for the major items in the property ledger. Such a list would help prevent loss or theft of these items. This was a prior year finding.
- d. The Fair made incorrect postings regarding the photovoltaic project to Account #319, Capital Project Reimbursement, a revenue account. When recording construction in progress, the Fair incorrectly credited Account #319 for known project costs totaling \$549,739, when in fact approximately fifty percent of the total cost will require a loan. The amount recorded in Account #319 should only be the PG&E grant monies totaling \$304,896. As a result, Account #319 was overstated \$244,843 in total for 2006 and 2007.

Recommendations

1. *In the future, the Fair should ensure that all California Construction Authority (CCA) projects are properly capitalized at year-end when required. This involves obtaining CCA Project Closeout Reconciliation reports for the year and ensuring this information is recorded in the general ledger prior to closing the accounting records and preparing the year-end financial reports.*

2. *The Fair should conduct a physical inventory of its property at least once every three years as required by the Accounting Procedures Manual and the State Administrative Manual.*
3. *The Fair should complete its inventory of non-monetary items as soon as reasonably possible. Furthermore, a physical inventory of these non-monetary items should be completed once every three years.*
4. *The Fair should ensure that complex or uncommon transactions are properly accounted for in the general ledger. If necessary, the Fair should seek guidance from F&E or another source to help record complex or uncommon transactions.*

SPONSORSHIP REVENUE

An examination of sponsorship agreements revealed the following exceptions:

- a. The Fair does not have Board-established procedures for entering into sponsorship agreements. According to the F&E Contracts Manual, DAAs should have Board-established procedures for entering into sponsorship agreements. This includes procedures for securing sponsorships and hiring sponsorship coordinators. Once established, these procedures must be approved by the Board.
- b. The Fair had two sponsorship agreements with terms greater than two years that were not forwarded to F&E for approval as required by the F&E Contracts Manual. As a result, the Fair entered into the agreements prior to notification of F&E review.
- c. The Fair did not prepare a brief description in memo form why it is in the best interest of the DAA and the State to enter into the proposed sponsorship agreement with terms in excess of \$100,000 and greater than two years. This form is to be submitted to F&E for review to determine whether or not the terms are in the best interest of the DAA and the State.

Recommendations

5. *The Fair should establish Board approved procedures for entering into sponsorship agreements.*
6. *The Fair should submit to F&E for approval all proposed sponsorship agreements prior to entering into the agreement when required.*
7. *The Fair should prepare and submit to F&E for review, a brief description in memo form of any proposed sponsorship agreement prior to entering into the agreement when required.*

BOARD MEMBER TICKETS/PASSES

The Fair has a formal policy of issuing two concert tickets to each Board member (nine Board members). Board members requesting additional tickets are required to purchase the tickets at retail cost. For 2007, concert tickets cost \$32 each resulting in a maximum value of freebies totaling \$576. Although the amount is not deemed excessive, the distribution may be deemed a gift of public funds. According to the Government Code, Section 82028, a gift

is defined as any payment that confers a personal benefit on the recipient, to the extent that consideration of equal or greater value is not received. The California constitution states in part, “the Legislature shall have no power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual,” and as a state agency DAAs are governed by this law. In addition, according to the Fairs & Exposition APM, free passes to state-sponsored entertainment events are prohibited.

The Fair Political Practices Commission (FPPC) recently adopted CCR, Section 18944.1, which would require free tickets/passes to be treated as income subject to taxes or treated as a gift, which would make them subject to strict state limits. If not treated as income, the Fair/official would have to demonstrate that the freebies benefit the public because state law prohibits gifts of public funds.

Recommendation

8. *The Fair should revisit their policy for distributing free concert tickets to Board members to ensure proper classification as either income or gift to the recipient. If classified as a gift, the Fair should be cautioned that, if there is not a legitimate business purpose, distributions of this nature may be deemed a gift of public funds.*

NON-REPORTABLE CONDITIONS

JUNIOR LIVESTOCK AUCTION

The Fair does not comply with the minimum requirements specified in the F&E Accounting Procedures Manual (APM) pertaining to its relationship with its committee-operated Junior Livestock Auction. Unlike other fairs that have committee-operated auctions, the 30th DAA has no involvement in the operations of the auction. The bank account is in the sole name of the Tehama District Junior Livestock Auction Committee, Inc. (a non-profit corporation), and the annual financial information pertaining to the fairtime auction is maintained in a separate general ledger. The committee maintains all financial records off-site, and the Fair indicated it does not review any of these records. This was a prior year finding.

Although the Fair has a Standard 210 Agreement with the committee that relinquishes all financial responsibility and liability, the APM requires fairs with committee-operated auctions to ensure the Fair's name is on the bank account, jointly expend funds, and jointly determine an appropriate level for the auction reserve balance. This was a prior year finding.

Recommendation

The Fair should comply with the F&E APM by exercising more control over the Junior Livestock Auction conducted on its fairgrounds. At a minimum, the Fair should ensure its name is on the auction bank account, jointly authorize expenditures from the account with the committee, and jointly determine an appropriate level for the auction reserve balance with the committee.

DELEGATED PURCHASING AUTHORITY

Fair personnel stated that purchase transactions executed by the Fair are generally done as opportunity purchases; however, the Fair failed to document that the price is less than or equal to that available through the state purchasing program as required by F&E. This was a prior year finding.

Recommendation

The Fair should follow approved purchasing procedures when making opportunity purchases, which require documenting that the purchase price is less than or equal to that available through the state purchasing program.

COMPENSATED LEAVE LIABILITY

The Fair allowed two permanent employees to carry over compensated time off (CTO) in excess of the maximum amount allowed. According to the Department of Personnel Administration (DPA) and the Accounting Procedures Manual (APM), the maximum number of accumulated CTO hours allowed to carry over to the next year is 240 hours. The employees had balances of 273 and 275 hours at year-end 2007, which is 33 and 35 hours

over the amount allowed to carry over. Allowing an employee to carry over excessive leave balances increases the Fair's liability should the employee leave State service.

Recommendation

The Fair should ensure that permanent employees do not maintain accrued leave hours in excess of the allowed maximum. The Fair should encourage employees with excess balances to take time off, thereby reducing their accumulated leave balance.

STANDARD AGREEMENTS

The Fair did not always prepare a Standard 210 Agreement for personal services rendered to the Fair. There were no Standard 210 Agreements regarding four expenditures for services. According to the APM, fairs are required to complete a Standard 210 Agreement for all personal services provided to the fair. Preparing a Standard 210 Agreement ensures the overall scope and price of expected services is agreed upon by both parties prior to service performance. This was a prior year finding.

Recommendation

The Fair should ensure a Standard 210 Agreement is prepared for all services rendered to the Fair. This process helps the Fair by documenting the responsibilities and expectations of both parties prior to service being performed.

CARNIVAL REVENUE

An examination of carnival revenue revealed the following exceptions:

- a. The Fair received no detailed revenue information regarding carnival food concession and game booth sales. According to the contract financial proposal sheet, the Fair is to receive the greater of \$375 per booth or twenty percent of sales from each booth. Because the Fair received no sales information, they were unable to determine whether twenty percent of sales were greater than \$375 per booth. This was a prior year finding.
- b. The Fair was guaranteed eighteen game booths but only received twelve per the carnival recap sheet. As a result, the carnival failed to meet the contract terms. The carnival contractor did however pay an additional \$1,125 which equates to three game booths. Because the Fair failed to compare the contract financial proposal sheet to the carnival recap sheet regarding guaranteed game booths to be supplied, the Fair was short \$1,125 from the carnival, based on the agreed-upon contract financial proposal sheet and the amount received per the carnival recap sheet. This was a prior year finding.
- c. For 2007, the Fair received no Daily Seller Spot Reports indicating on-site ticket sales. This information is important to determine carnival ticket sales and whether the Fair is receiving the correct amount of carnival revenue.

Recommendations

The Fair should ensure sales information for carnival food concession and game booths is obtained to determine if the Fair received the correct amount of revenue.

The Fair should review and compare the carnival recap sheet to the approved contract financial proposal sheet to ensure the carnival contractor met the terms of the contract.

The Fair should obtain a Daily Seller Spot Report from the carnival contractor to determine on-site ticket sales and whether the Fair is receiving the correct amount of carnival revenue.

PREMIUM ACCOUNT

An examination of the premium account revealed the following exceptions:

- a. Bank reconciliations for the year were not dated and, therefore, we were unable to determine whether reconciliations were prepared in a timely manner. Preparing bank reconciliations in a timely manner is an important part of an entity's cash control procedures, as it identifies possible errors made, which may be easily resolved if identified early.
- b. The premium account contained a deficit balance in the bank totaling \$302, which signifies the account contains insufficient funds to cover outstanding checks written.

Recommendations

The Fair should ensure that all bank reconciliations are dated providing evidence of timely preparation.

The Fair should ensure that the premium bank contains sufficient funds to cover all outstanding checks.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



30th DISTRICT AGRICULTURAL ASSOCIATION

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RED BLUFF, CA 96080-0070
Mark O. Eidman, CEO
(530) 527-5920 • Fax (530) 527-1511
www.tehamadistrictfair.com

April 28, 2009

Ron Shackelford, CPA
Chief - Audit Office
Department of Food and Agriculture
1200 N Street - Room 344
Sacramento, CA 95814

Re: Year Ended December 31, 2007 - Audit Response #08-029

Dear Ron:

We have reviewed Audit Report #08-029 of the 30th District Agricultural Association at Red Bluff, California, conducted by your department for the period of January 1, 2007 through December 31, 2007. Each area reflected in the audit report has been addressed along with the action being taken to insure that the 30th DAA conforms with the policies and procedures established by the Fairs Administrative Manual or as adjusted by supplemental letters of instruction as issued from the Division of Fairs and Expositions.

In consistency with the audit findings and recommendations of the report, the 30th DAA's response to the three findings with reportable conditions is as follows:

ACCOUNTING FOR FIXED ASSETS

1.
 - a) To ensure all California Construction Authority (CCA) projects are properly capitalized at year-end, the 30th DAA will obtain CCA Project Closeout Reconciliation reports for the year, reconcile costs reported by CCA with those recorded in the 30th DAA's general ledger prior to closing its accounting records and preparing the year-end financial reports.
 - b) The 30th DAA will conduct a physical inventory of all State property at least once every three years to ensure the 30th DAA's control over fixed assets is maintained.
 - c) A non-monetary property list has been completed and updated for administrative building items through December 31, 2008. All non-monetary property for maintenance items will be inventoried by June 30, 2009. The non-monetary items will be updated semi-annually and a physical inventory will be conducted at least once every three years to ensure the 30th DAA's control over non-monetary assets is maintained.
 - d) The 30th DAA will continue to seek guidance from F&E or another source to help record complex or uncommon transactions.

SPONSORSHIP REVENUE

2. (a) The 30TH DAA will establish Board approved procedures for entering into sponsorship agreements.
- (b) When required, the 30th DAA will submit all proposed sponsorship agreements to F&E for approval prior to entering into the agreement.
- (c) When required, the 30th DAA will prepare a brief description in memo form of any proposed sponsorship agreement and prior to entering into the agreement submit to F&E for review.

BOARD MEMBER TICKETS/PASSES

3. a) The 30th DAA will discontinue their formal policy of issuing two concert tickets to each Board member (nine Board members) and require Board members to purchase any/all concert tickets at retail cost.

The 30th DAA will continue to implement these 2008 audit recommendations. With our limited staff and busy schedule we will do our best to comply with the listed recommendations. The 30th DAA declares to have found no discrepancies in this Audit Report #08-029.

Sincerely,



Mark O. Eidman, CEO



Beverly A. Ross
President of the Board

C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 30th DAA, Tehama District Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between December 8, 2008 and December 19, 2008. My staff met with management on March 29, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'Ron Shackelford', with a long horizontal flourish extending to the right.

For Ron Shackelford, CPA
Chief, Audit Office

December 19, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 30th DAA Board of Directors
1	Chief Executive Officer, 30th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office